United Nations S/AC.50/2010/34

Security Council

Distr.: General
1 September 2010
English
Original: French

Security Council Committee established pursuant to resolution 1737 (2006)

Note verbale dated 30 August 2010 from the Permanent Mission of Andorra to the United Nations addressed to the Chairman of the Committee

The Permanent Mission of the Principality of Andorra to the United Nations has the honour to transmit herewith the response of the Government of the Principality of Andorra concerning Security Council resolution 1929 (2010) (see annex).

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Annex to the note verbale dated 30 August 2010 from the Permanent Mission of Andorra to the United Nations addressed to the Chairman of the Committee

Report of the Principality of Andorra on the implementation of Security Council resolution 1929 (2010)

Introduction

The Principality of Andorra has a long tradition of peace. It has always expressed its support at the international level for the non-proliferation of nuclear, chemical and biological weapons and for efforts to ensure international peace and security.

As a defender of peace and a country which has lived for more than seven centuries without war or conflict, Andorra has never permitted any enrichment-related, reprocessing or heavy-water-related activities or the development of nuclear weapon delivery systems in its territory.

On 9 June 2010, the Security Council adopted resolution 1929 (2010) on non-proliferation, paragraph 31 of which calls upon all States to report to the Committee established by resolution 1737 (2006) on the steps they have taken with a view to implementing effectively paragraphs 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23 and 24 of resolution 1929 (2010).

Andorra therefore submits the present report, which reflects the Principality's willingness to cooperate with the United Nations in its continuing efforts to prevent the proliferation of nuclear weapons.

This report is based on close cooperation among the Andorran Financial Intelligence Unit, the Andorran National Institute of Finance, the Customs Department, the Company Registers, Foreign Investment and Accounting Unit of the Ministry of Economic and Financial Affairs, and the Ministry of Foreign Affairs and Institutional Relations.

Andorra refers to the previous national reports submitted to the Committee established by resolution 1737 (2006) and, of course, stands ready to provide it with any additional information. We are open to implementing all its recommendations.

Paragraph 7

Andorra does not conduct any activity involving uranium mining or the production or use of nuclear materials and technology.

Paragraph 8

Andorra wishes to point out that it has no army and does not have, develop, market, buy, possess, use or transfer military materiel. The transfer of weapons is an offence under the Andorran Penal Code, and both the Police Service and the customs service, which maintain constant border controls, ensure that no transfer of weapons takes place.

Andorra has neither a port nor an airport and can be entered only by road. With regard to border control, Andorra adopted the International Convention on the Harmonized Commodity Description and Coding System in 2006. The Convention was already being implemented beforehand. The Harmonized System and the risk

analyses and statistics prepared by the Customs Department have made it possible to establish a control procedure through the targeting of goods that takes into consideration the provisions of Security Council resolutions. Border controls consist of exhaustive checks (physical and/or documentary) by the Andorran Customs Department.

Paragraph 9

To the Government's knowledge, there is no transfer of technology or technical assistance to Iran in the context of the activities described in paragraph 9 of the resolution.

Paragraph 10

The Ministry of Foreign Affairs and Institutional Relations transmits regularly to the Police Service of Andorra the lists and amendments thereto circulated by the various committees of the Security Council. The Police Service immediately implements the measures to which they refer. These lists are entered into the police database, which police officers may consult during checks.

The Police Service, working with the Immigration Service, is competent to examine the identity documents, nationality and criminal record of any person requesting permission to immigrate and must in all cases consult the police database.

With regard to border controls, the Immigration Act states that one of the conditions for entry into the Principality of Andorra is that the person requesting entry must not constitute a threat to the security of the State, persons or property or to public order. To that end, border officials must also consult the Police Service database when carrying out checks.

In addition, the Police Service database is connected to the International Criminal Police Organization (INTERPOL) database. Lastly, the Andorran Police Service is in constant contact with the French and Spanish police services.

Andorra has neither a port nor an airport and can be entered only by road. The borders are patrolled by the Police Service 24 hours a day.

Paragraphs 11, 12 and 19

The Ministry of Foreign Affairs and Institutional Relations of Andorra transmits the lists issued by the Committee to the Ministry of the Interior and the Andorran Financial Intelligence Unit.

Within the competence granted to it under the Act on International Cooperation in Criminal Matters, Prevention of the Laundering of Money or Securities Constituting the Proceeds of International Crime and Prevention of the Financing of Terrorism, the Financial Intelligence Unit has issued official communication CT-04/2010 (see annex 1)* — as a supplement to official communication CT-4/2008 (see annex 2)* concerning resolutions 1737 (2006), 1747 (2007) and 1803 (2008) — reproducing the measures specified in resolution 1929 (2010). The communications issued by the Financial Intelligence Unit are addressed

* Annexes may be consulted at the Secretariat upon request.

to financial entities subject to the Act as defined in article 41 of the Act, namely, individuals or entities that are subject to the legal obligations specified in the Act and which belong to any of the following categories:

– Operative components of the financial system;

– Insurance companies authorized to operate in the life insurance sector;

– Money transfer institutions.

The Act on International Cooperation in Criminal Matters, Prevention of the Laundering of Money or Securities Constituting the Proceeds of International Crime and Prevention of the Financing of Terrorism provides that those subject to its provisions shall monitor all transactions that, although not suspicious, take place under complex or unusual conditions and seem to have no economic justification or legal purpose, and especially transactions likely to involve money-laundering operations and those requiring special monitoring according to official communications.

If one of the entities subject to the Act has reason to suspect that a transaction may be linked to one of the entities or individuals listed in official communications, that transaction is blocked by the Financial Intelligence Unit and the corresponding file is subsequently transferred to the Public Prosecutor's Office.

The Court of First Instance of Andorra ("Batllia") is competent to freeze funds which are on Andorran territory and which are owned or controlled, directly or indirectly, by individuals or entities included on the lists issued by the Committee.

Paragraph 13

The Principality of Andorra applies the same trade policy as the European Union to imports from third countries, in accordance with article 7 of the Agreement in the form of an exchange of letters between the European Economic Community and the Principality of Andorra of 1990, which provides that the Principality of Andorra shall adopt the laws, regulations and administrative provisions currently applicable in the Community to customs matters with respect to third countries.

Thus, the provisions of Commission Regulation (EU) No. 532/2010 and Notice 2010/C 160/07, which reproduce the updates to the lists mentioned in paragraph 13 of resolution 1929 (2010), are directly applicable by Andorra.

Paragraph 14

In the risk analysis system used by the Andorran Customs Department (see response regarding paragraph 8), trade with Iran is classified at the highest risk level. This entails exhaustive and systematic monitoring of all commercial transactions.

In that regard, it should be noted that trade between Andorra and Iran is practically non-existent and is limited to a few commercial imports of carpets. Moreover, these imports are inspected in advance by the customs authorities of the countries of entry to the European Union, since Andorra has no direct trade access to non-members of the European Union.

Paragraphs 16 and 17

Andorra has never detected any imports of prohibited items from Iran. If any such imports were detected, the Government would take the necessary measures, in cooperation with the judicial authorities, to dispose of or destroy the items in question.

Paragraphs 15 and 18

Andorra has no port and can be entered only by road.

Paragraph 21

As indicated in the response regarding paragraphs 11, 12 and 19, article 41 of the Act on International Cooperation in Criminal Matters, Prevention of the Laundering of Money or Securities Constituting the Proceeds of International Crime and Prevention of the Financing of Terrorism defines the financial entities subject to the Act, which include licensed insurance and reinsurance companies.

Paragraph 22

On 12 April 2010, the Andorran Financial Intelligence Unit issued official communication CT-2/2010 (see annex 3)* reminding the financial entities subject to the above Act of the list of countries classified by the Financial Action Task Force (FATF) as high-risk countries, which includes Iran, and requesting them to exercise vigilance and to strengthen the measures taken when they deal with those countries. The Financial Intelligence Unit also addressed the official communication to the Company Registers, Foreign Investment and Accounting Unit of the Ministry of Economic and Financial Affairs of Andorra.

The communications issued by the Financial Intelligence Unit are addressed to financial entities subject to the Act on International Cooperation in Criminal Matters, Prevention of the Laundering of Money or Securities Constituting the Proceeds of International Crime and Prevention of the Financing of Terrorism as defined in article 41 of the Act, namely, individuals or entities that are subject to the legal obligations specified in the Act and which belong to any of the following categories:

- Operative components of the financial system;
- Insurance companies licensed to operate in the life insurance sector;
- Money transfer institutions.

The Act on International Cooperation in Criminal Matters, Prevention of the Laundering of Money or Securities Constituting the Proceeds of International Crime and Prevention of the Financing of Terrorism provides that those subject to its provisions shall monitor all transactions that, although not suspicious, take place under complex or unusual conditions and seem to have no economic justification or legal purpose, and especially transactions likely to involve money-laundering operations and those requiring special monitoring according to official communications.

If one of the entities subject to the Act has reason to suspect that a transaction may be linked to one of the entities or individuals listed in official communications,

that transaction is blocked by the Financial Intelligence Unit and the corresponding file is subsequently transferred to the Public Prosecutor's Office.

The Court of First Instance of Andorra ("Batllia") is competent to freeze funds which are on Andorran territory and which are owned or controlled, directly or indirectly, by individuals or entities included on the lists issued by the Committee.

With regard to companies, article 1, paragraph 5, of Act No. 2/2008 of 8 April on Foreign Investments provides that foreign investments associated with countries classified as non-cooperative by FATF or those in respect of which the regulatory body dealing with money-laundering and the financing of terrorism issues an unfavourable report will not be authorized. All foreign investments are therefore subject to prior checking by the Financial Intelligence Unit.

Paragraph 23

There are only five banking groups in the Principality; the ownership of four of these is exclusively Andorran. The rest of the Andorran financial system accounted for only 0.11 per cent of turnover as at 31 December 2009.

	2008	*2009*
Banking institutions	**5 groups**	**5 groups**
Without foreign shareholders	4 groups	4 groups
With foreign shareholders	1 group	1 group
Non-bank specialist credit institutions	**1**	**1**
Investment institutions	**12 (2 inactive)**	**12 (2 inactive)**
Portfolio management companies	4 (1 inactive)	4 (1 inactive)
Collective investment scheme management companies	8	8
Banking	5	5
Non-banking	3 (1 inactive)	3 (1 inactive)
Venture capital companies	0	0
Other service providers	**0**	**0**

	Total turnover as at 31 December 2009 (in thousands of euros)
Banking institutions (consolidated data)	13 387 424
	99.89 per cent
Non-bank specialist credit institutions	9 145
	0.07 per cent
Investment companies	5 458
	0.04 per cent
	13 402 027

It should also be mentioned that licensing for the establishment of new financial institutions is governed by Act No. 35/2010 of 3 June on the Licensing System for the Establishment of New Operators in the Andorran Financial System.

Article 3 of this Act provides that the Andorran financial system monitoring authority, the Andorran National Institute of Finance, has sole competence to grant licences for the establishment of operators in the Andorran financial system.

Changes in the ownership of operators in the financial system must also be registered with the Andorran National Institute of Finance, in accordance with article 46 of Act No. 14/2010 of 13 May on the Legal Regime for Banking Institutions and the Basic Administrative Regime for Operators in the Financial System.

In order to determine whether or not to authorize registration, the Andorran National Institute of Finance uses the specific criteria set out in article 18 of Act No. 35/2010, which include the following:

> "Transparency regarding the origin of the funds and the identity of the persons who are to be the key partners in the proposed institution;
>
> Economic solvency: the equity of holders of subscriber shares must exceed the share capital of the proposed institution by 5 per cent;
>
> Possible ownership of shares in the proposed institution by one or more financial or credit institutions;
>
> The ranking, rating and solvency of the financial or credit institutions associated with the proposed institution."

Ownership structure of commercial banks

	Dec. 08	*Dec. 09*	*June 10*
Foreign ownership of more than 50 per cent	1	1	1
Foreign ownership of less than 50 per cent	0	0	0
100 per cent ownership by shareholders resident in Andorra	4	4	4
Foreign branches	0	0	0
Total number of banks (banking groups)	5	5	5

Paragraph 24

The opening of representative offices or subsidiaries of Andorran financial institutions abroad and the acquisition of long-term shareholdings in other foreign entities are also subject to monitoring and prior authorization by the Andorran financial system monitoring authority, the Andorran National Institute of Finance, in accordance with article 46 of Act No. 14/2010 of 13 May on the Legal Regime for Banking Institutions and the Basic Administrative Regime for Operators in the Financial System.

Andorran financial institutions have no subsidiaries or branches in Iran, and the Andorran National Institute of Finance has direct competence to supervise the opening of Andorran subsidiaries or branches abroad. With regard to bank accounts,

on 12 April 2010 the Andorran Financial Intelligence Unit issued official communication CT-2/2010 (see annex 3),* which states that Iran is a high-risk country with regard to money-laundering and terrorism; consequently, the whole Andorran financial system is required to exercise vigilance and to strengthen the measures taken before dealing with Iran.